

# A Greenhouse Gas Accounting Protocol for the Public Sector



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**LMI**

GOVERNMENT CONSULTING

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# Overview – A GHG Accounting Protocol for the Public Sector

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- Project background and introduction
- Overview of the GHG Protocol Initiative's *Corporate Accounting and Reporting Standard*
- Developing a supplement for public sector GHG accounting
- Project status and next steps



# Project Background

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- Legislative activity around GHG emissions is at a boiling point
- Although the exact laws are undetermined, all regulated entities will be required to determine their GHG footprint
- The protocols and tools available are focused on industry, not the public sector

With this effort, we will address GHG accounting gaps at the public sector operations level



# Overview of Current and Pending GHG Management Initiatives

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## Existing

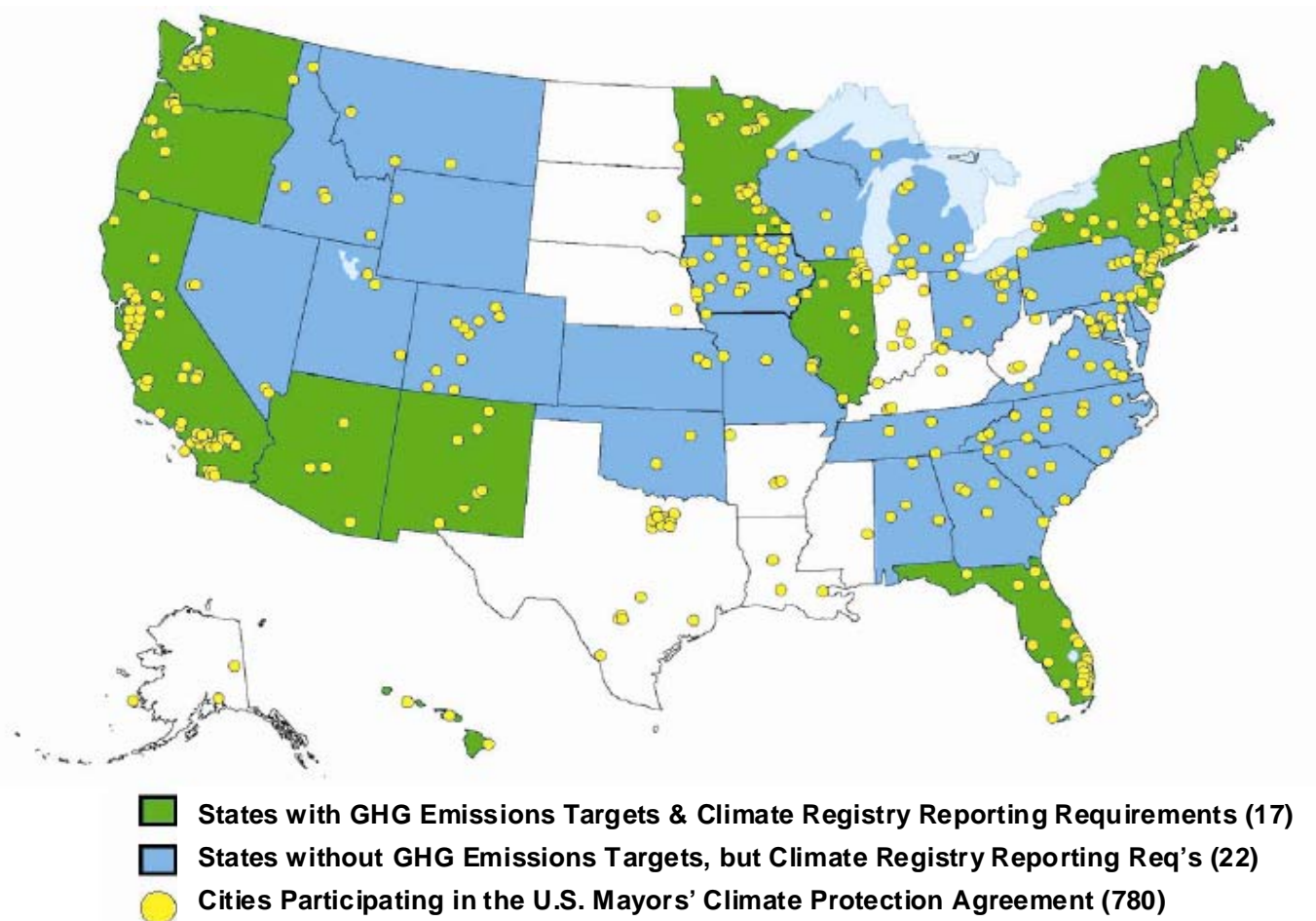
- Laws and EOs
  - RGGI (10 states)
  - California AB32 Energy Policy Act of 2005
  - Energy Independence Act of 07
  - Federal EO 13423
- Voluntary Programs
  - The Climate Registry
  - Chicago Climate Exchange
  - EPA Climate Leaders
  - DOE 1605(b)
  - US Mayors Climate Protection Agreement (780 Cities signed)

## Pending 08/09

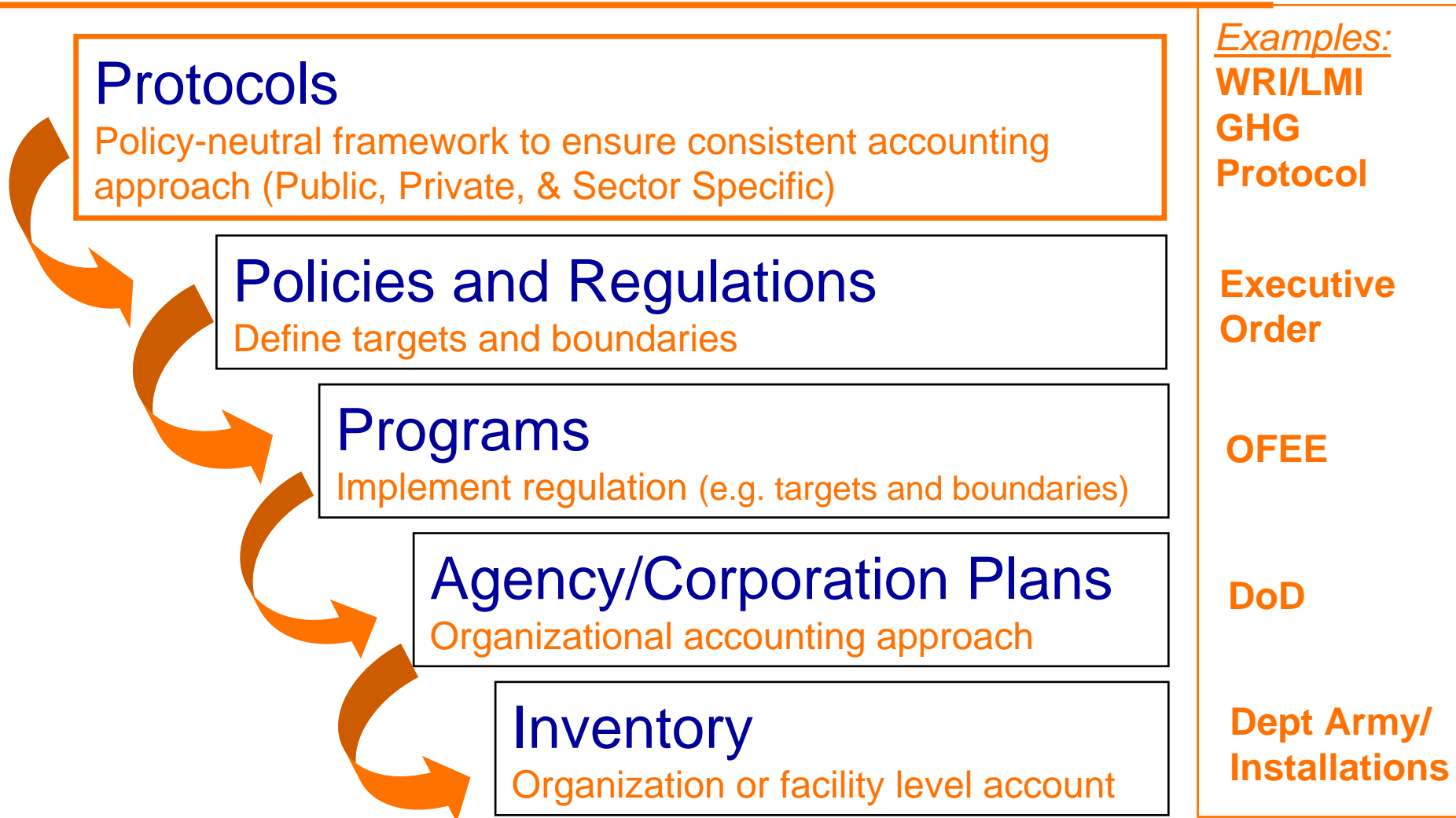
- Federal Laws and EOs
  - Cap and Trade Legislation with some additional command and control requirements
  - EPA GHG Reporting Rule
  - Potential - Executive Order for Low Carbon or Carbon Neutral Gov't Operations
- State and Regional
  - Western Climate Initiative (7 states)



# Pending State and Regional GHG Initiatives



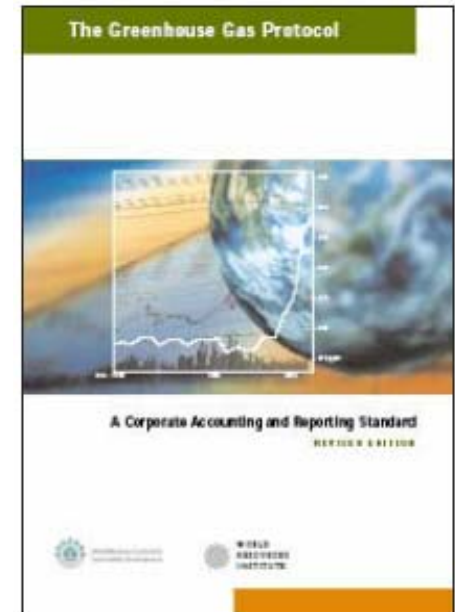
# GHG Accounting Hierarchy



# GHG Accounting Supplement

## Current Guidance for GHG accounting:

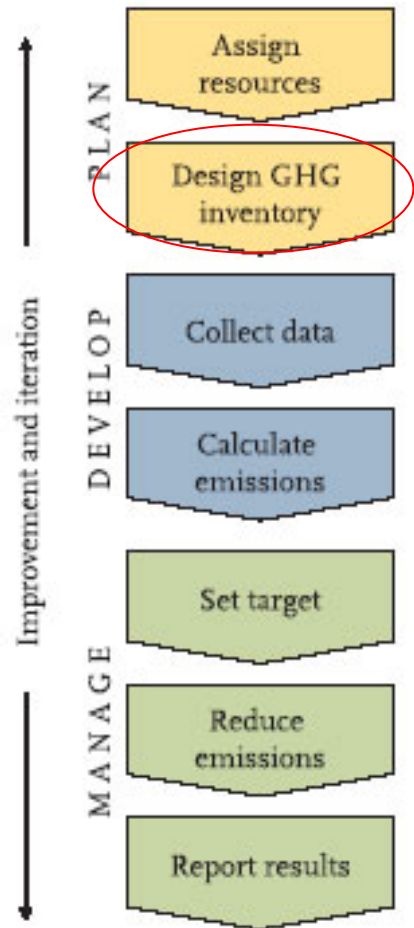
- GHG Protocol Initiative's *Corporate Accounting and Reporting Standard* is the gold standard
  - Developed by World Resources Institute and World Business Council for Sustainable Development
  - Used by ISO, the Climate Registry, EPA, and 1000s of companies worldwide (including 63% of Fortune 500)



**Our goal is to produce an open source, stakeholder driven Public Sector Supplement to the GHG Corporate Accounting Standard**



# Corporate Standard Overview



- Guiding principles

**Relevance** refers to the need for the inventory to reflect the organization's emissions and decision-making needs

**Completeness** means accounting for all sources and activities within the inventory boundary, and justifying any exclusions

**Consistency** ensures the ability to meaningfully compare inventory data over time

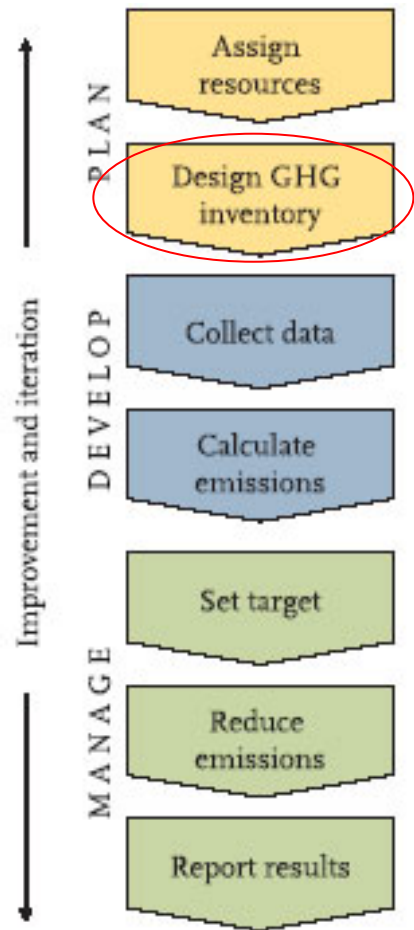
**Transparency** necessitates full disclosure of all assumptions; citation of methodologies; and leaving an audit trail

**Accuracy** refers to the need to provide a reasonable assurance of the information's integrity

Slide source: GHG Protocol



# Corporate Standard Overview



- Organizational boundaries

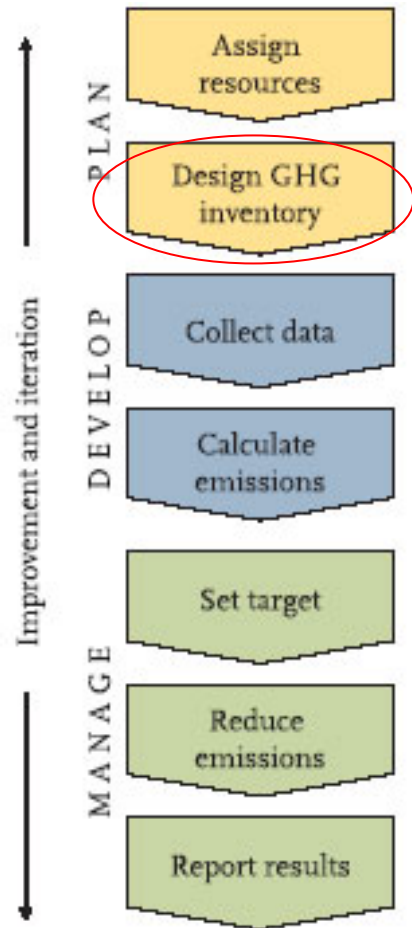
Determine which operations are owned or controlled by the company and which therefore should be included in the inventory

Two general approaches for drawing an inventory:

1. Equity share approach: account for emissions based on percentage of equity share
2. Control: account for 100% of the emissions from operations over which the organization has control
  - Financial control
  - Operational control

Slide source: GHG Protocol

# Corporate Standard Overview

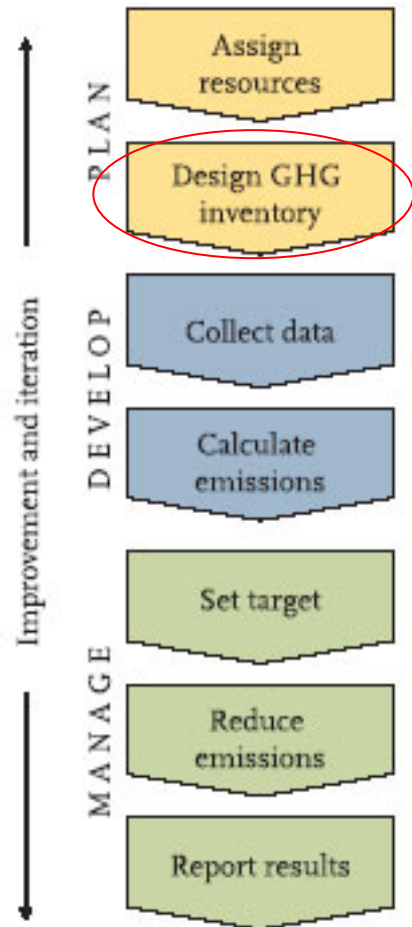


- Defining organizational boundaries

- Reflection of commercial reality
- Influence over emissions
- Program and regulatory requirements
- Liability and risk management
- Alignment with financial accounting
- Management information and performance tracking
- Administrative costs and data access
- Completeness of reporting

Slide source: GHG Protocol

# Corporate Standard Overview



- Define operational boundary

Classify emissions source by whether or not they are controlled and/or owned by the reporting company or by a third party

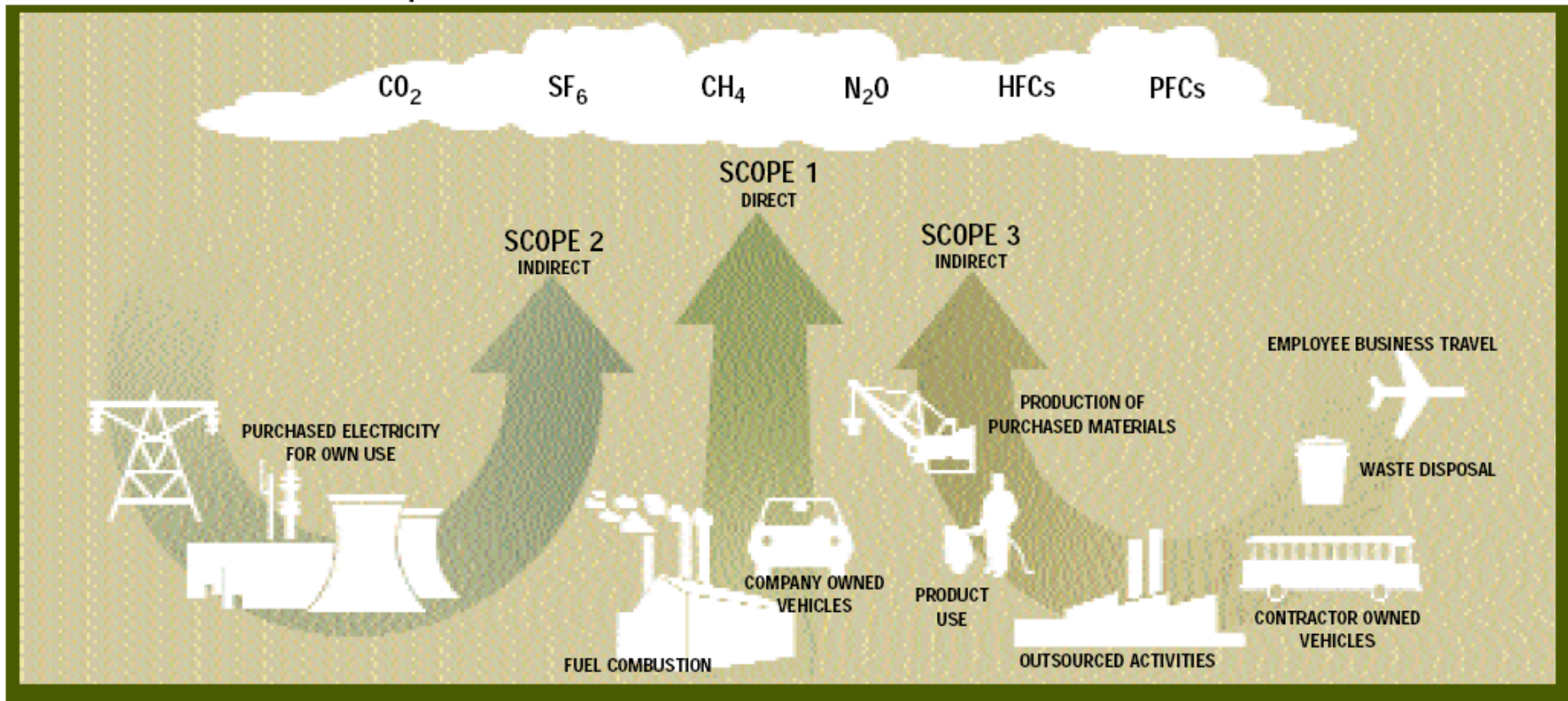
### Advantages

- A reduced risk of double counting emissions
- The provision of more useful information to stakeholders
- More effective management of the GHG risks and opportunities along the value chain

Slide source: GHG Protocol

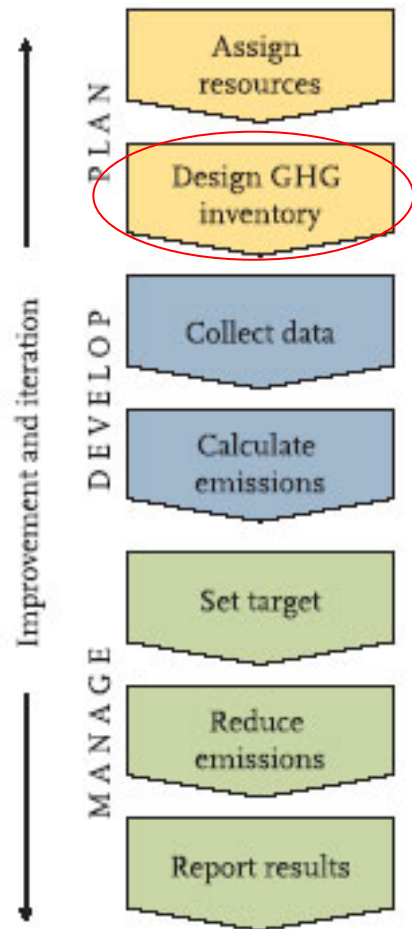
# Corporate Standard Overview

- Classifying Emissions



Slide source: GHG Protocol

# Plan: Design GHG Inventory



- Setting a base year

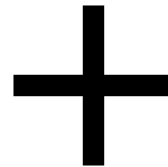
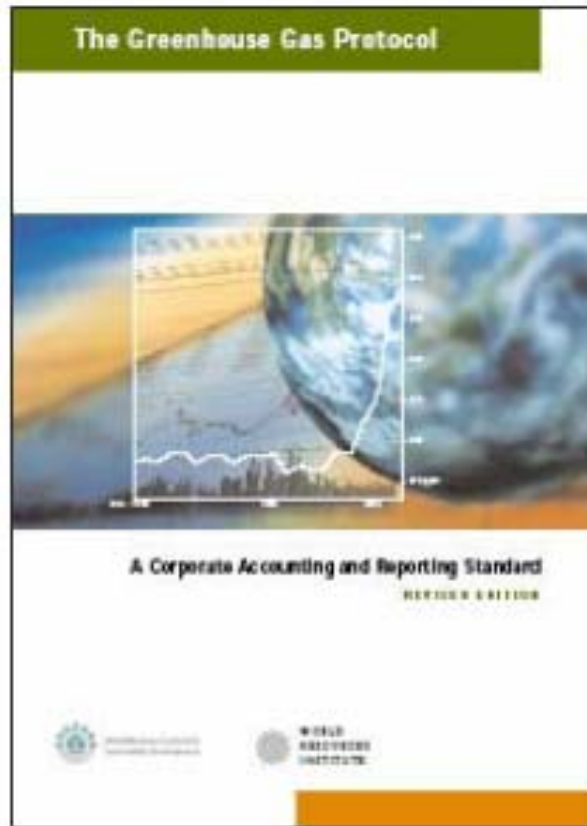
A base year is the year in history against which a company's emissions are tracked over time. It can be either one year or a series of consecutive years.

Organizations must:

- Choose and report a base year ***for which verifiable emissions data are available.***
- Specify their reasons for choosing that particular year.
- Develop a base year emissions recalculation policy and apply it in a consistent manner.
- Clearly articulate the basis and context for any base year recalculations

Slide source: GHG Protocol

# GHG Accounting Supplement



**GHG Accounting  
Public Sector  
Supplement**



# Stakeholder Gap Analysis

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Key issues and desired guidance:

- Connect GHG reporting to other requirements (State, local, EISA 07, EPLA 05, EO13423...)
  - Data roll-up to higher organizational level
- Setting organizational boundaries
  - Tribes, international, joint operations, contractor issues, mission vs. control
- What triggers a base year recalculation?
  - Mission change, large disaster response, privatization
- Offsets & credits:
  - Legal limitations to buying and selling
  - Using RECs as offsets





# Stakeholder Gap Analysis (cont'd)

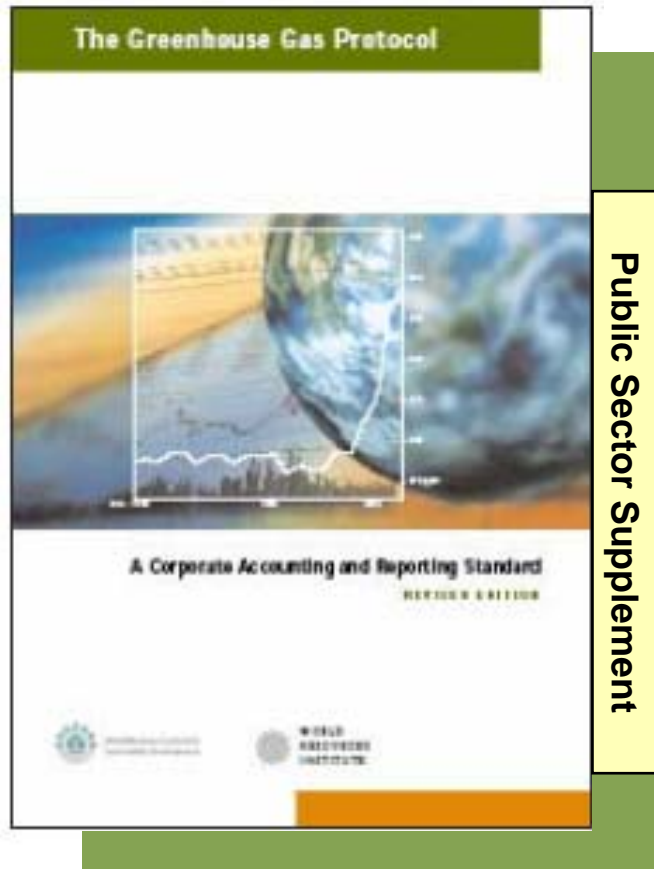
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More key issues and desired guidance:

- Data availability and accuracy
- Emergency response/non-routine mission:
  - Impacts on scope and base year recalculations
- Downstream GHG impacts of policy decisions
- Add public sector examples
- National security issues with “transparency”



# Supplement Development Process



- ✓ Stakeholder gap analysis
- ✓ Draft supplement
- ✓ Stakeholder review of draft supplement
- Incorporate edits and develop 'case studies'

# Next Steps

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- Next Steps
  - Incorporate stakeholder input into final draft
  - Finalize clarifying case studies
  - LMI edit and proof process
  - Submit Public Sector Supplement to WRI
- Submit follow-on IR&D and Work with Federal Partners
  - Complete WRI/GHG Protocol approval process
  - Pilot projects to verify and expand accounting guidance
  - Next version of Supplement (Climate Registry and States)



# Questions?

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For questions regarding the project, email:

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–Dr. Rachael Jonassen, [rjonassen@lmi.org](mailto:rjonassen@lmi.org)

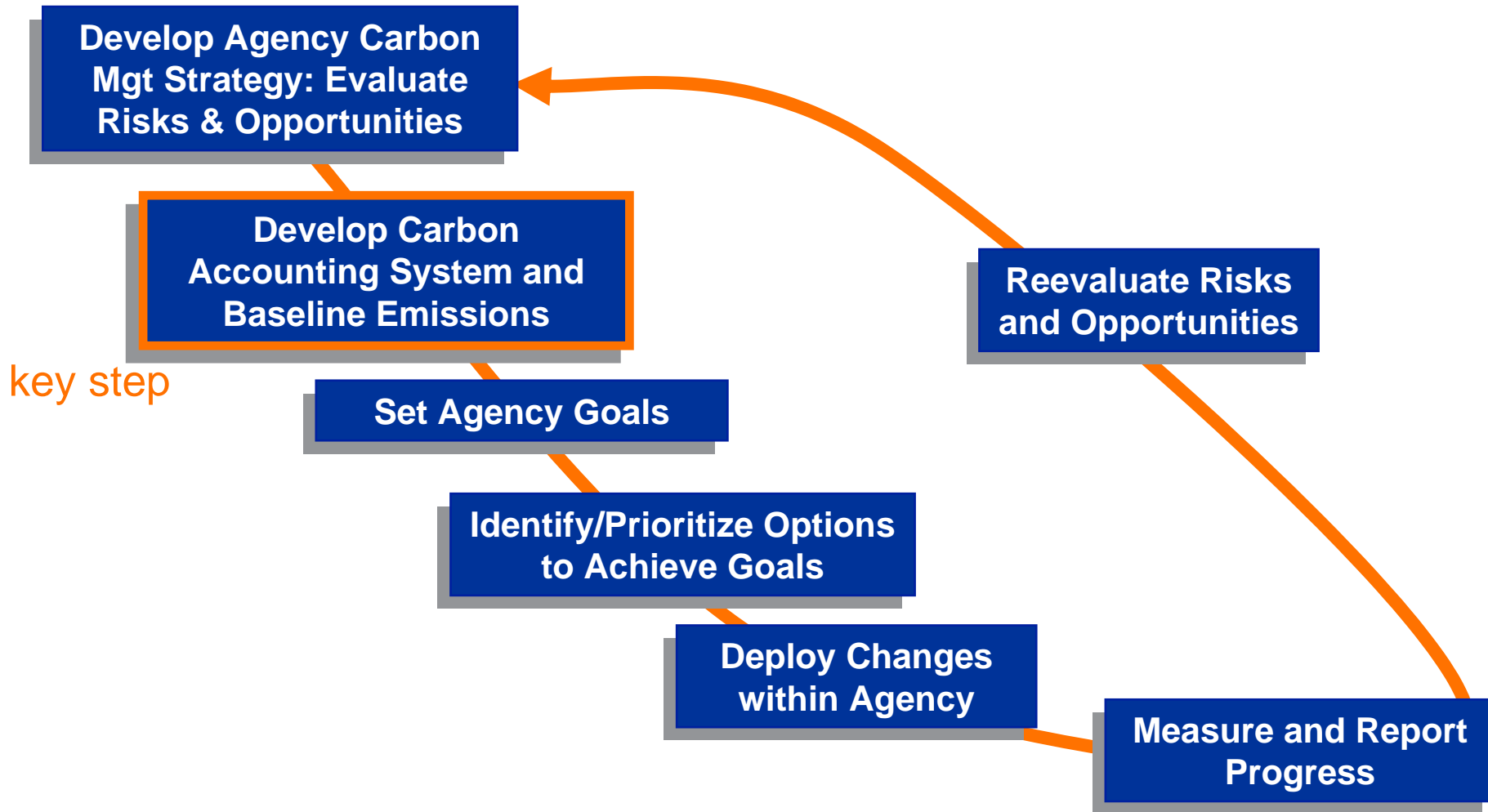


# Backup Slides

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# Potential Government GHG Management Framework



# Legislative Landscape

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- 110<sup>th</sup> Congress: 24 proposed bills in 2007
  - 14 Senate
  - 10 House of Representatives
- Two bills (HR 823 and HR 2635) are directed at Federal Government Agencies
  - Goal is “Carbon Neutral Federal Government”
  - House is currently piloting “Carbon Neutral” approach
  - Agencies would have to conduct annual accounts of GHG emissions and reduce against baseline
- Historically, EOs have preceded regulation for this type of activity, with Federal Government tasked to lead
- California is currently requiring State and Local Agencies to conduct emissions inventory – USPS, NGB
- Other states are organizing for voluntary emissions reporting





# Pending Federal Legislation – Cap & Trade

